

Chapter 8

FOCUSING RESOURCES ON THE POOR

Focusing on Geographical Areas

Rehabilitating Poor Areas

Reaching Disadvantaged Social Groups

Targeting by Type of Intervention

If the poor lack organization and power, the benefits of poverty programmes are unlikely to reach them.



Much of the success of national poverty programmes rides on “targeting” benefits to the poor. But most programmes still assume that external agents deliver the benefits and that the poor are passive beneficiaries—the traditional safety net or social welfare model. Little wonder that the poor often complain that they never see the benefits—while delivery agents complain that poverty persists despite their good intentions and scientific methods.

At the root of this predicament: a governance problem, a misconception of how poor people and poverty-reducing benefits come together. If the poor lack power, the benefits of poverty programmes are unlikely to reach them—or, if they do, to make a lasting difference. Effective targeting follows from empowerment, not the other way around. The very term *targeting* probably clouds the issue: better to talk more generally about focusing poverty reduction resources.

The poor have to be organized to advance their interests—to stand a chance of being heard and taken seriously. Once organized, the poor will find that politicians are more interested in their fate and governments more responsive to their demands. Other popular forces will show increased interest in joining them in alliances for change. And more anti-poverty resources will be directed their way. Generally it is safe to assume that resources will not flow to the powerless, despite the many rhetorical flourishes to the contrary.

Delivering cash or in-kind benefits to the poor should play second or third fiddle to broader methods of channelling resources to those in need. If an economy is growing and its growth is pro-poor, resources will flow towards the more deprived segments of the population. If the government budget also favours the poor, poverty will not persist.

Often, however, macroeconomic policy-making and budgeting are not pro-poor. And poverty programmes have generally failed to have national policies take poverty into account (chapter 3).

Beyond adjusting macroeconomic policies, governments can also direct resources to sectors where the poor are

employed—agriculture, rural off-farm enterprises, small urban businesses. But as many of the assessments of national poverty programmes show, the first response of governments called on to reduce poverty is to channel resources exclusively to the social sectors—under the assumption that this is the way to address poverty.

FOCUSING ON GEOGRAPHICAL AREAS

One way of focusing resources is to allocate them to geographical units, such as provinces or communities. Rather than direct resources to particular sectors, a government allocates them to poor areas. The administrative costs of doing so are usually low. Many national poverty programmes use geographical targeting as their main method of intervention—often assisted by UNDP.

The first step in this approach is to identify the poorer regions. A household survey representative at the provincial or state level can usually supply enough data. The issue is what indicators to use. To target poverty, indicators of human poverty, such as those in the human poverty index, would be more useful than income or the human development index. Average levels of human development, for example, do not always correspond to the incidence of human deprivation.

Geographical Poverty Maps

Zimbabwe uses a geographical poverty map—based on data from a national poverty survey—to identify its poorest districts, which are then targeted for priority interventions. Morocco, in one of its regional programmes, uses a set of 31 socio-economic indicators to identify the poorest provinces. Then it uses a set of 11 indicators to identify the 10 poorest communities in each of the poorest provinces. Using the broad set of indicators—rather than just one, such as income per person—enables authorities to identify the forms of deprivation that need to be addressed in each community.

For this second step of identifying all poor communities, a country would need a survey representative at the community level—an expensive nationwide household survey with a huge sample. An alternative, used in the Philippines, is to have each community survey its households using a common method (see the country profile). Local governments collect information at the village level on whether people’s minimum basic needs are being met and post this information publicly. But the system has not yet been fully implemented.

One problem with a two-stage method like that used in Morocco is that it leaves out poor communities in non-poor provinces. For example, by targeting poor counties, China's national poverty programme allocates too few resources to many poor townships and villages outside poor counties. The more focused the geographical targeting, however, the more expensive the process of identifying poor areas, and the more expensive the administration of the programme.

Geographical targeting naturally includes many non-poor households. So the leakage of benefits can be significant. Poverty programmes can go to the other extreme of trying to benefit only poor households. The Philippine programme, for example, recently attempted to target the 100 poorest families in each village. Even if every family selected were genuinely poor, the total would be no more than about 16,000—leaving out many poor families. To reach all of them through some kind of general means testing would incur high administrative costs.

GENERALLY IT IS SAFE TO ASSUME THAT RESOURCES WILL NOT FLOW TO THE POWERLESS, DESPITE THE MANY RHETORICAL FLOURISHES TO THE CONTRARY.

Target Households or Communities?

If one believes that targeting is tied to empowerment of the poor, targeting by government should probably stop at the community level, using some method of ranking communities by the extent of poverty. Ignoring this need to rank, Uzbekistan uses its autonomous neighbourhood groups, the mahallas, to identify families that need social assistance. The effectiveness of this community-based selection depends on the poor being actively involved in community affairs. Otherwise social assistance might not go to those most in need.

To minimize arbitrary decisions, the government requires the mahallas to base their decisions on fixed rules from the Ministry of Labour as well as on the groups' discretion. But the government does not use poverty indicators to distinguish communities, so those with many households needing social assistance are likely to get no more funds than those with few such households.

A human poverty approach to targeting poor households is more appropriate—though more complex—than an income-based method. Household members can be deprived in some human capabilities but not in others. So it is unlikely that one identifiable group of households is “poor” while another is “non-poor”.

The human poverty approach shifts the emphasis from the household to the individual—to identify deprivation among, say, women and children as well as among men. It also shifts the emphasis to specific interventions to address specific deprivations—such as improving primary education to reduce illiteracy or boosting access to health services to lengthen life expectancy. The application of such policies is best left to communities, which have better access to information on the characteristics of households.

REHABILITATING POOR AREAS

UNDP supports many regional development programmes in poor areas. To ensure that they succeed, it emphasizes governance issues. Its approach combines decentralization of government decision-making to regional and local authorities with empowerment of communities. The Area Development Schemes, long supported by UNDP in Sudan, exemplify this approach (box 8.1).

In such conflict-affected countries as Afghanistan, Sudan and Tajikistan, UNDP has fostered community and regional development despite unstable and adverse national conditions. Success depends on activating communities. The first step: people have to move beyond seeing themselves as hopeless victims and passive recipients of humanitarian aid—and move beyond reconstruction and rehabilitation to start planning long-term development.

This is the approach of UNDP's Emergency Response Division. In Sudan this division has worked with both the government and the Sudan People's Liberation Movement in a dialogue programme to advance negotiations for peace. In East Timor it is helping to reintegrate the thousands of displaced people and to rebuild infrastructure. In Nicaragua it has helped locate judges in every municipality to improve people's access to the judicial system. In such countries as Angola and Cambodia, and

in such regions as Central America, it has established large programmes for the demobilization and reintegration of combatants (box 8.2).

UNDP's priority for disaster-prone or crisis-affected countries is to help bridge the yawning gap between relief and development. Development provides the best insurance against these countries' continuing need for relief assistance. For example, UNDP's Disaster Reduction and Recovery Programme regards natural disasters as unresolved development problems. This viewpoint has guided the programme's recovery efforts in the Dominican Republic and Honduras in the aftermath of devastating hurricanes. In both cases the disasters uncovered underlying structural problems of poverty and exclusion, and ongoing environmental degradation, as major contributors to the ensuing crisis. Losses were concentrated among the poor, who lived in precarious conditions in hazard-prone locations.

To deal with the crisis situation in Afghanistan, UNDP has supported the Poverty Eradication and Community Empowerment Initiative (PEACE), started in 1993 and now active in 23 rural districts and six urban areas. It contributes to the peace process by combining poverty reduction with good governance and community

empowerment. It focuses on the poorest and most marginal: women, the landless, the displaced and the disabled. Since 1997 a pilot project has returned thousands of refugees to their homes in two districts and supplied them with materials to rebuild houses and plant crops and with credit to initiate income-generating activities. PEACE attempts to implement an integrated set of high-impact interventions that address such needs as food security, infrastructure and basic social services.

In Tajikistan UNDP's Reconstruction, Rehabilitation and Development Programme, launched in 1996, contributes to the peace process and reintegration of displaced people by restoring and revitalizing rural communities and building local capacity. In three impoverished areas the project provides technical assistance and funding for hundreds of quick-impact activities in agriculture, infrastructure, income generation, institution building, health and sanitation. A key to its success is its emphasis on building capacity at the grass-roots level, countering a long history of dependence on the central government. The project also emphasizes transparent systems of resource allocation to safeguard against corruption and unequal treatment of ethnic groups.

Box 8.1 Building Communities in the Midst of Conflict in Sudan

The UNDP's Area Development Schemes in Sudan, launched in 1988, take a participatory, bottom-up approach to helping impoverished rural communities. A 1997 assessment found that while the programme has had drawbacks, it has established effective grass-roots institutions—village development committees to spearhead local development projects. The reviewers consider this “revolutionary” under the circumstances.

Now more than 10 years old, the schemes have expanded from five to 13 areas and evolved to meet new challenges of urbanization and continuing civil war. Previously confined to rural areas, the programme added an urban project in 1997, the Khartoum Urban Poor Project. Civil war,

natural disasters and lack of economic opportunity in rural areas have driven more people into the cities, mainly Khartoum, in search of work and safety.

The schemes address both the “micro” and the “macro” sides of the problems of urban migration. At the local level they mobilize poor migrants to take part in community-based projects to improve their living conditions. And at the national level they assist government in creating policies to offer secure land tenure and otherwise mitigate the hardships that internally displaced people face.

In Juba, in southern Sudan, the programme supports community-selected projects ranging from agricultural

activities to the construction of schools and water systems. Activities are funded through a credit fund called *sandug*—a traditional finance system (or village treasury) serving individual communities—which is adapted to the programme. The Juba project also strives to create self-sufficiency in food production, in order to reduce dependency on humanitarian relief.

In addition to expanding the geographic scope of the programme, the schemes now involve village development committees in project decision-making. Community mobilization—called “social animation” by the Sudanese—so successful in the early phases of the programme, now takes place throughout the project.

At the end of 1999 UNDP's Village Employment Rehabilitation Programme in Kosovo started mobilizing villagers to plant 1.2 million pine tree seedlings to reforest their environment and generate some badly needed income. As in other post-conflict situations, in Kosovo UNDP concentrates on helping communities organize to provide temporary employment and rehabilitate or replace infrastructure.

The widespread economic, social and political dislocation of the 1990s in Eastern Europe has left many countries with debilitating unemployment and decaying infrastructure. Bulgaria and Bosnia and Herzegovina have established programmes to tackle both these problems (box 8.3).

After three years of war Bosnia and Herzegovina suffered from massive unemployment (estimated at 50%), displacement of huge numbers of people and widespread destruction of infrastructure. The biggest barriers to resettling people in Bosnian communities have been the lack of employment and problems of ethnic and social reintegration. To tackle these problems, the government, in collaboration with UNDP, established the Village Employment and Environment Programme in early 1998. Focusing on municipalities facing a large influx of war-displaced

people, the programme creates temporary employment for such vulnerable groups as refugees, disabled people and demobilized soldiers.

Relying on community participation, numerous projects restore infrastructure and improve the local environment through such activities as reforestation, road repair, garbage removal and rehabilitation of power lines and water supply. To employ as many people as possible, the programme allocated 71% of the budget to wages in the first year. So far more than 24,000 people in 107 municipalities have found work.

REACHING DISADVANTAGED SOCIAL GROUPS

Geographical targeting, even at the community level, might not reach disadvantaged social groups. Women, ethnic minorities, low-status castes, refugees and indigenous peoples are likely to need special interventions.

Take women, who might benefit disproportionately from some programmes, such as food distribution systems, but be excluded from others, such as public works schemes. Differences in the way projects affect men and women should be taken into account in designing project components (incorporating day care for the children of women employed in infrastructure projects) or in emphasizing

Box 8.2 UNDP's Emergency Response Division: Tackling the Roots of Crisis

Started in 1995, UNDP's Emergency Response Division works in situations of conflict and natural disaster. Though it provides rapid assistance in crises, its ultimate goal is to help affected communities become self-sufficient. To do this, it tries to address the root causes of the conflict or disaster and support improved governance and community decision-making on future development.

The Emergency Response Division has been working in East Timor, where more than 650,000 people—well over half the population—have been displaced by violence and unrest. Half the houses have been destroyed,

and schools, water supplies and sewerage systems have been badly damaged. The Emergency Response Division is focusing on short-term needs—repairing damaged infrastructure and reintegrating displaced persons. But it is also seeking to have a longer-term impact by helping to develop a plan for economic and social development and establish a functioning public administration.

In Nicaragua the Emergency Response Division has been supporting thorough reforms in the judicial system, with a particular focus on improving the access of the poor. In the past

judges were poorly trained and paid and subject to influence by local elites. Lawyers were reluctant to become judges in poorer areas. The Emergency Response Division has helped recruit educated lawyers to be judges and promote training. In addition, it has made sure that housing and offices have been made available to judges in each municipality. Many of the judges have become community leaders and leading advocates of human rights.

Box 8.3 The Beautiful Bulgaria Project: Rebuilding and Re-employing

Beautiful Bulgaria: Temporary Employment and Vocational Training, a UNDP-supported project, started in 1997, one of the most difficult years of Bulgaria's transition to a more market-based economy. The project was designed to reduce unemployment and offer vocational training while also improving the decaying urban environment in the country's largest cities. Activities included the refurbishment of roads, parks, playgrounds, building façades and historical monuments in the visibly depressed city centres. The project employed more than 5,000 people in temporary jobs and trained more than 2,000 in basic construction skills and in starting small businesses. The second phase of the project is under way, with an expanded coverage of 11 cities.

An outside evaluation found that the project had been efficient and cost-effective in generating short-term employment. Moreover, a quarter of the workers found long-term employment because of their work with the project. In addition, the improved appearance of city centres enhanced the cities' images, attracted new private investment and provided a concrete sign of economic recovery.

The project also supported decentralization and good governance by building local government capacity. The project management offices established in the municipalities developed expertise in managing transparent contracting and tendering processes. Regional employment services and labour offices were also strengthened, helping to revitalize the local labour markets.

Improved social cohesion was another important benefit. Thanks

to successful targeting, more than half the project workforce consisted of ethnic minorities (such as Roma and Turks). Working together allowed people from different backgrounds to interact in a positive way. And many unskilled minority workers were able to integrate into the regular workforce.

Women benefited less. Although their share of the project workforce, 17%, was higher than usual for the construction sector, they made up the majority of the long-term unemployed and shouldered the heaviest burden from the economic crisis. Contractors for the project were reluctant to hire women for such "high risk" jobs as refurbishing façades. The evaluation recommended better construction safety standards and additional activities designed to incorporate women workers.

certain dimensions (supporting women's organizations to make sure that their interests are represented) (see chapter 9).

Or take indigenous peoples, heavily represented among the developing world's poor. Their forms of deprivation might differ from those of other groups. Reliant on natural resources and their ancestral lands, they often are geographically isolated, with distinct languages, cultures and histories. Self-determination as a people is one of their most pressing demands.

Reaching Indigenous Peoples

The marginalization of indigenous peoples has a long history. In many countries they remain the most excluded and deprived, with their human rights abused, their land and natural resources appropriated and their languages and cultures assailed. The natural environments they rely on for sustenance are being depleted or destroyed. Unsurprising, then, that they live shorter lives in unhealthier conditions. They thus merit special attention in poverty programmes.

In many countries the incidence of income poverty among indigenous peoples substantially exceeds that for the rest of the population: in Mexico, for example, 81% compared with 18%. And their poverty is much deeper.

Often indigenous peoples survive on marginal, ecologically fragile lands, resorting to pastoralism, subsistence farming or hunting and gathering. They are cut off from communication and commerce, and when the "benefits of civilization" do arrive, they are usually imposed.

Participatory methods of development are needed more than usual—particularly more culturally sensitive approaches. Protecting indigenous peoples' distinct languages and cultures is of central importance. In the communities of North Rupununi, Guyana, for example, UNDP has assisted in training teachers and setting up a literacy programme in the local language as part of an integrated income generation project.

Box 8.4 Women Lead the Struggle for Ancestral Land in the Philippines

Located in the northern Philippines, the Cordillera Administrative Region is inhabited by about 1.3 million people, 90% of whom are indigenous. Despite the region's abundance of minerals and forests, its people are among the poorest in the country.

For decades the region's indigenous peoples have used their traditional institutions, such as cooperatives and councils of elders, to resist outside exploitation of the forests and mineral resources. More recently women have played an active role in upholding these traditional institutions and strengthening the claims of indigenous groups over their ancestral domains.

In 1993 the Department of Environment and Natural Resources issued an administrative order that provided a certificate of ancestral domain to eligible indigenous groups,

enabling them to participate in all decisions relating to their land and natural resources. The 1997 Indigenous People's Rights Act recognized the indigenous residents' rights to all resources within their ancestral domains.

When local feuds broke out among residents over land rights, women emerged as leaders to settle the disputes. UNDP's Partners in Development Programme helped train women volunteers to lead community groups, and the local government units to assist villagers in preparing development plans for their ancestral domains.

The Pan-Cordillera Women's Network for Peace and Development was formed as a coalition of women's groups that recognized that resolving land disputes was the key to future peace and development. Thanks to its

intervention, more than 2,000 peace pacts were signed among communities. Trained women volunteers took a lead role in mapping boundaries and preparing plans for resource use and development of the areas.

The Women's Network conducted five ancestral land congresses and advocated for protection of ancestral domains. Beyond settling land disputes, women in the Cordillera began running in elections, launching campaigns against social ills and contributing to social and economic reforms. They played a pivotal role in mobilizing a broad cross-section of local residents—youth, elders, religious leaders and local government staff—to organize for community development.

Indigenous Control of Ancestral Lands A crucial issue for the self-determination of indigenous peoples is their control of ancestral lands. When their land is gone, so is the basis for their existence as a distinct people. Indigenous peoples in the Philippines have struggled to protect their ancestral lands (box 8.4). Women have played a leading role in this campaign, as they have in similar UNDP-supported projects.

A special focus of support to indigenous communities by UNDP and the United Nations Development Fund for Women (UNIFEM) is to empower women. UNIFEM promoted the First Mayan Women's Congress in Mexico in 1997 to enable Mayan women to exchange knowledge and identify their common needs. The indigenous Mayan communities living in the Yucatán Peninsula are poor, illiterate and effectively excluded from many public services. Mayan women have a great deal of knowledge in textiles, handicrafts, natural resource management and food production and processing, but lack the training to start their own enterprises and generate income for their families and communities.

At the congress women placed importance on such activities as embroidery and fine handicrafts and on such non-traditional farm activities as bee keeping and the breeding of whitetail deer. What they sought was training and technical assistance in such skills as marketing and accounting, which UNIFEM then supplied in conjunction with national civil society organizations.

From Biodiversity to Human Rights Indigenous peoples' knowledge of their natural environments—their insight into the properties of local flora or fauna, of medicinal and aromatic plants—is often sought by international pharmaceutical companies. And once the knowledge is shared, it becomes the intellectual property of the non-indigenous. Thus conservation of the environment is often closely tied to protection of the livelihoods of indigenous peoples.

A UNDP-supported project in eastern Malaysia, the Putan Project for Communal Forest Conservation,

exemplifies the need to protect the natural resources on which indigenous peoples depend. The project area covers a virgin tropical forest rich in biodiversity, the ancestral domain of the local “longhouse” communities. The project helps promote the livelihood of these communities in part by protecting the forest and land from encroachments by logging companies, plantation schemes and neighbouring

POVERTY PROGRAMMES HAVE PUT A GREAT DEAL OF EMPHASIS ON SMALL-SCALE INTERVENTIONS, OVERLOOKING SUCH NATIONAL ISSUES AS ECONOMIC POLICY-MAKING OR BUILDING GOVERNANCE INSTITUTIONS.

communities. Not only sacred for them, the forest is their main source of livelihood, providing timber, rattan, animals, medicinal herbs, fruits and vegetables.

Concern for the rights of indigenous peoples has evolved. The environmental movement became an early defender of their rights and interests: protection of natural resources is closely intertwined in many regions with protection of indigenous peoples. But sometimes it was not clear which had priority—the environment or the people living in it.

The first line of defence seemed to be protecting biodiversity. Many of the remote undeveloped forest lands that indigenous peoples occupy are treasures of biodiversity—in part because they have remained undeveloped. Then the metaphor of biodiversity was applied to indigenous peoples. Defending their rights became synonymous with defending the diversity of cultures or knowledge systems. Indigenous peoples were defended as some kind of natural resource.

The indigenous peoples involved probably have a different notion. And what is crucial to them, as for everyone, is determining their own development priorities, the more so because of their distinct languages and cultures.

Avoiding Paternalism The UNDP-supported regional Highland Peoples Programme in Southeast Asia, started in 1995, is a good example of an attempt to apply participatory approaches and avoid paternalistic attitudes towards indigenous peoples. The programme area includes about 11 million members of ethnic minorities

in the Mekong subregion of Cambodia, the Lao People's Democratic Republic, Thailand and Viet Nam.

An evaluation of the programme pointed to its strengths: promoting community-based participatory planning and fostering broad interaction and dialogue among the indigenous peoples as well as between them and governments. Campaigns to assimilate the indigenous peoples usually ended up worsening their poverty and deprivation. So special efforts were made to base development on the highlanders' knowledge and culture rather than having outside agents assert paternalistically how to advance the region's development.

TARGETING BY TYPE OF INTERVENTION

Poverty programmes have put a great deal of emphasis on small-scale interventions, such as providing schools, clinics or microfinance. Sometimes they focus predominantly on such interventions—overlooking such national issues as economic policy-making or building governance institutions. And these interventions are not always successful in reaching the poor.

While focusing resources on the poor can take several forms—concentrating on sectors, geographical units or social groups—another form of targeting is by type of intervention, such as allocating resources to basic social services, microfinance or physical infrastructure. The aim is usually not to reach particular poor groups, households or individuals with these services but to achieve universal coverage in a certain area or community. Restructuring government expenditures might make such services more available to the poor, but there is no guarantee that they will make use of them.

Broadening Access to Basic Social Services

In addition to stimulating rapid economic growth, traditional anti-poverty strategies emphasize channelling resources to human resource development. This “second prong” usually advocates investing in basic social services—basic education and health care, nutrition, water and sanitation, and reproductive health. After these two prongs do their work—according to this view—the poor who remain should be a small minority requiring mostly social assistance, for which targeting benefits becomes important.

Most poverty programmes now stress reallocating social expenditures to basic social services, and some seem to rely on providing basic social services as the main way to combat poverty. In many instances UNDP's support to national programmes also puts special emphasis on basic social services—or the larger issues of social protection. But supplying more basic services does not necessarily go hand in hand with more poor people using them. In addition to reallocating expenditures, efforts should concentrate on ensuring that the poor make use of the services made available to them.

For the 20/20 Initiative, endorsed by the 1995 Social Summit, UNDP has worked extensively with UNICEF, especially in Latin America and the Caribbean, to carry out studies of social expenditures. The initiative calls for greater collaboration in financing basic services between aid-recipient countries and donors, with an indicative target of 20% of national budgets and 20% of official development assistance to be allocated to such purposes. Within this framework, countries are to devise their own strategies for enhancing efficiency and equity.

A UNDP-sponsored 20/20 study of 13 countries in Latin America and the Caribbean shows that only 12% of national budgets and 10% of official development assistance are allocated to basic social services and that none of the countries has achieved universal coverage. In Brazil studies of social expenditures show that most benefits go to the middle classes and the rich (see the country profile). The country's highly concentrated distribution of income is worsened by a very unequal distribution of social spending. Peru also has had problems of inequality in social spending, but after reallocating expenditures it now spends about 20% of its budget on basic social services (see the country profile).

The distribution of social expenditures generally favours the rich. The 20/20 studies show that spending on a basic social service such as primary education is more equally distributed than that on such services as secondary and university education (table 8.1). In a few countries the distribution of public spending on primary education is progressive—the poor receive a share larger than their population share.

But these statistics do not take into account the fact that poor households tend to have more children than non-poor households do. In other words, their share in

the school population exceeds their share in the total population—implying that, for fairness, they should receive a share of education benefits larger than their population share. That rarely happens. In fact, enrolment rates among poor children tend to be lower than those among rich children. Poverty programmes need to focus more on why poor children are not attending primary schools, even where the facilities exist.

Improving Access to Microfinance

In many developing countries microfinance institutions have grown rapidly to serve the market for small loans and savings accounts—with the potential to have a substantial impact on poverty. Having empowered many women in low-income households, they are now a regular feature of national poverty programmes.

In some countries, such as Nepal and the Philippines, small-scale lending programmes have a long history, but many have had problems focusing on the poor and achieving financial sustainability. In other countries small-scale lending—especially by non-bank institutions—is relatively new. Microcredit facilities are still very limited in Kyrgyzstan and Uzbekistan. In such countries as China,

Table 8.1 *Inequalities in Education, 1990s*

Public spending on education usually benefits the rich—except for primary education.

	PERCENTAGE OF TOTAL EDUCATION EXPENDITURES GOING TO:		PERCENTAGE OF EXPENDITURES FOR PRIMARY EDUCATION GOING TO:	
	Poorest 20%	Richest 20%	Poorest 20%	Richest 20%
Costa Rica	18	20	34	7
Côte d'Ivoire	13	35	19	14
Indonesia	15	29	22	14
Madagascar	8	41	17	14
South Africa	14	35	19	28
Viet Nam	11	38	22	18

Note: The data are for various years, ranging from 1989 to 1995.

Source: Castro-Leal and others 1999; UNICEF and UNDP 1998.

Mongolia and Yemen they are expanding rapidly—often on the basis of pilot tests by donors or international civil society organizations. In Tunisia a new law widens opportunities for growth by allowing associations to supply microcredit.

Microcredit schemes assume that the poor can more easily obtain small loans, supplied even at market rates of interest and for short durations, than larger loans available from established financial institutions. Most of the new projects focus on poor women. In some countries, unfortunately, a microcredit scheme might be the only

MICROCREDIT OFTEN CONTRIBUTES TO COMMUNITY EMPOWERMENT—PARTICULARLY IMPORTANT IN COUNTRIES WITH HIGHLY CENTRALIZED STATES. IT ALSO HELPS DECENTRALIZE FINANCIAL INSTITUTIONS.

component of the national poverty programme that does. Microcredit often contributes to community empowerment—particularly important in countries with highly centralized states. It also helps decentralize financial institutions. But microcredit schemes must beware of capture by local political elites for use as patronage.

UNDP has been supporting many of the new microfinance initiatives and is expanding operations globally. In 1997 it established the Special Unit for Microfinance to bring together its growing work in the field, represented by its MicroStart programme, and the long-standing activities of the United Nations Capital Development Fund. The microfinance unit's central purpose is to provide quality technical support to country efforts to start and maintain viable microfinance institutions that serve the poor, especially poor women. UNCDF now manages microfinance programmes in 20 least developed countries with a total loan portfolio of more than \$43 million, 70% of which is in Sub-Saharan Africa. MicroStart specializes in setting up microfinance institutions in developing countries and is well on its way to doing so in 25 of them.

The Special Unit for Microfinance has also started a new MicroSave programme, concentrated in Sub-Saharan Africa, to provide well-regulated but flexible savings systems for the poor.

Microfinance is probably not well suited for all segments of the poor. The hard-core poor, having few assets, are reluctant to take on the risks of credit, and when they do, it is usually for emergencies. In Bangladesh, for example, only a fourth of microfinance clients are hard-core poor. In East Africa the main clients are the vulnerable non-poor—those who have enough income or assets to escape poverty but can easily become impoverished again. They are more likely to have some skills and collateral and thus to be willing to take the risk of engaging in small-scale entrepreneurial activities.

Donors first backed microfinance institutions because of their potential to reach poor households. Many of the institutions, offering subsidized loans to households, have continued to need subsidies to survive. A major challenge now is to create institutions that are more operationally and financially sustainable.

A microfinance institution is operationally sustainable when it can cover all operating costs, and financially sustainable when it can cover the costs of capital. One route to sustainability is to become a more formal institution. When a microfinance institution becomes licensed, it can borrow from the larger capital market and be authorized to offer savings accounts to mobilize more funds for loans or to seek its own equity financing.

Licensing is the direction that MicroStart is taking in Mongolia, for example. A good example of an institution that has both reached the poor and been financially self-sufficient is the Association of Cambodian Local Economic Development Agencies (ACLEDA), supported by UNDP. Having reached financial self-sufficiency in five years, it now serves more than 62,000 clients with a portfolio of a little over \$10 million.

A 1998 evaluation of the many projects of the United Nations Capital Development Fund highlighted the need to strengthen the institutional capacity of microfinance institutions. Many badly need effective staffing, reliable management information systems and better management and governance structures. Such institutional strengthening would improve their access to capital from commercial banks and thus their ability to lend to poor people.

Increasing Access to Infrastructure

National poverty programmes often supply physical infrastructure in poor regions—rural roads, irrigation works, electrical grids, systems for drinking water. But those better off—closer to towns or existing roads—usually benefit more than the poor do. As part of its effort to target poor regions, China's national poverty programme has invested large sums in infrastructure. Yet the rural poor, often in remote areas, would probably benefit more immediately from small, low-cost community-based interventions, such as tubewells or terracing.

Providing infrastructure has many potential benefits for the poor. Roads can increase access to social services, making it easier for students to travel to schools or for the ill to reach a health clinic. Infrastructure can also stimulate greater private investment, by businesses and households. And the construction can supply many temporary jobs, particularly for the unskilled.

Much of the success of infrastructure projects depends on whether communities are involved in selecting them. If they are, a project is more likely to meet their needs and more likely to be maintained by the community long after the construction is over. In Mauritania, because communities choose the public works most appropriate to their needs, they are more willing to share the costs of building them.

In many regions the hard-core poor gravitate to the construction jobs in infrastructure projects. Unlike microcredit, wage employment carries little risk. The Labour-Based Rural Infrastructure Rehabilitation and Maintenance Project in Cambodia, started in 1992 and supported by UNDP and the International Labour Organization, has generated more than 3 million work-days, mostly for the socially and economically disadvantaged in rural areas. Its new focus is on female heads of household and the disabled.

The project employs people to upgrade, construct and maintain rural roads and irrigation works—providing temporary jobs, improving people's access to markets and social services and expanding the coverage of irrigation to restore agricultural livelihoods. It has persuaded the government that such projects can be a cost-effective way to address both rural poverty and infrastructure development.